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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

Addendum

I. INTRODUCTION

1. In paragraph 10 of its resolution 47/211 of 23 December 1992 and paragraph 5 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General and the executive heads of United Nations organizations and programmes to report to it on measures taken or to be taken in response to the recommendations of the Board of Auditors, including timetables for their implementation. The report of the Secretary-General on this subject is contained in document A/48/516.

2. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of organizations and programmes, namely, the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the voluntary funds administered by the United Nations High Commissioner for Refugees, the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the International Trade Centre (ITC) and the United Nations University (UNU). Unless otherwise stated, these responses relate to the recommendations of the Board of Auditors in its reports for the period 1990-1991.

II. REPLIES FROM UNITED NATIONS ORGANIZATIONS AND PROGRAMMES

A. United Nations Development Programme

3. The actions taken by the United Nations Development Programme (UNDP) to implement the recommendations of the Board of Auditors in its report for the biennium 1990-1991 1/ are set out in the table below.

External audit, follow-up actions and timetable

(Status as of 11 March 1994)

Recommendations	UNDP response to the Fifth Committee and External Auditors	Remarks/proposed steps	Status/(target date)
Office automation efforts should be planned carefully and coordinated from the beginning of a project (rec. 7 (1)).	Agree. Much progress has been made. Each headquarters and field office is now required to develop and update annually an office automation plan which includes a cost-benefit analysis in accordance with recently issued standards and guidelines.	The process will continue to be monitored, as part of normal operations, to ensure ongoing compliance. By 1 April 1994, 99 country offices and 9 headquarters units had prepared office automation plans for the period 1993-1995, all of which have been technically cleared, and the budget was approved on this basis.	Completed
Pertinent instructions for the hiring of consultants should be observed.	UNDP applies the standing instructions very strictly, with exceptions authorized only for very special circumstances and even then, specifically, on the approval of the Administrator. In 1992 there were 11 such cases.	The Division of Personnel will be re-issuing instructions following the introduction of the pilot project on a new form of contractual arrangement (activities of limited duration). The contract, in place since 1993, will alleviate the need to resort to SSAs (special services agreement) for services needed for a finite period and ensure strict adherence to established rules and procedures of SSAs.	Ongoing (30 September 1994)
Decisions on personnel matters should be adequately accounted for by documentation and justified by the relevant instructions (rec. 7 (g)).	Agree. Corrective actions have been taken, and measures/mechanisms put in place to ensure strict adherence to the relevant instructions as well as proper documentation and justification.	The Division of Personnel has implemented mechanisms to ensure that proper justification, monitoring and documentation is now standard practice.	Completed
The problem of timely and proper financial completion of the United Nations Capital Development Fund (UNCDF) projects should be systematically addressed on a broad scale (rec. 7 (j)).	Agree. Notwithstanding the efforts under way and acknowledged by the auditors, this will be taken up on a broader scale in the context of deliberations on national execution policy, procedures and processes.	A circular was issued on 13 March 1993 to all UNCDF programmes staff to bring their attention to this. UNCDF senior management staff will continue to monitor proper adherence to this instruction. By the end of the 1992-1993 biennium, 19 projects had been closed. Following an additional review in 1993, 30 projects are being closed and are expected to be finalized by the end of 1994. This programme review is expected to take place twice annually.	Completed

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Recommendations	UNDP response to the Fifth Committee and External Auditors	Remarks/proposed steps	Status/(target date)
Measures should be taken to establish adequate property control, including accountability (rec. 7 (b)).	UNDP recognized the problems and the need to take corrective action. A complete review of policies and procedures is under way. New measures are expected to be introduced in the near future, with accountability mechanisms.	Based on a total quality exercise, a functional decentralized headquarters inventory system has been designed and approved by senior management. The required EDP programme to operate the system is currently being developed for implementation in 1994. A pilot system with selected headquarters units was completed. Full implementation is expected to be completed and operating by the end of 1994.	Ongoing (1 December 1994)
Actual costs for management services should be established on a factual basis (rec. 7 (h)).	The Office for Project Services (OPS) disagrees that the level of fees are low. The level reflects actual administrative and management service costs. The fees cannot be compared to those related to administrative and operational support. New guidelines will be issued by end 1992 reflecting use of OPS service unit cost.	The new guidelines were issued on 30 December 1992.	Completed
Project appraisal and approval procedures should be streamlined considerably (rec. 7 (i)).	The Management Board took the decision to streamline and decentralize the process, while ensuring appropriate accountability mechanisms. At the same time, the effectiveness of headquarters processes is under review.	The procedures and guidelines are being worked out based on a conceptual framework developed by the Bureau for Programme Policy and Evaluation. The Regional Bureaux have already implemented some new guidelines, including increased approval and appraisal authorities to the country offices. A progress report was presented to the Strategy Management Committee on 17 December 1993. Guidelines on decentralized programme management, including revised approval and appraisal procedures, strengthening of local PACs, and introduction of accountability mechanisms, will be finalized over 1994. The work will begin shortly with the involvement of headquarters and country offices.	Ongoing

Recommendations	UNDP response to the Fifth Committee and External Auditors	Remarks/proposed steps	Status/(target date)
In-depth evaluations should be used more effectively (and should not be automatic) (rec. 7 (k)).	UNDP concurs with the Auditors that there are some instances where exceptions may be made for evaluation requirements, if adequately justified. In line with the UNDP Programme and Projects manual, such justification should be ex-ante, transparent and adequate.	The regional bureaux have confirmed that corrective actions are being taken to ensure that in-depth evaluations need not be scheduled when the nature of specific projects does not so warrant. This issue is also being dealt with by an ongoing study on effective feedback and learning from lessons. Comments from the field on the feedback studies are being compiled. A proposal for more effective and less frequent use of in-depth evaluations combined with improved methods of monitoring and management audit will be presented to EMC at end of 1993. Being further reviewed in light of current observation in the 1992-1993 audit.	Ongoing
The internal audit mandate should be revised to provide an adequate legal basis (rec. 7 (d)).	UNDP took immediate action to present changes to its financial regulations and rules. These were approved by the Governing Council in its decision 92/36 and the changes have already been reflected.	No further action required.	Completed
The Division for Audit and Management Review should not have operational responsibilities (rec. 7 (e)).	This refers to the accountability of Governments under the modality of national execution and the coordination and issuance of manuals. UNDP has initiated a review of these functions with a view to confirming that the current arrangements do not involve any conflict of interest.	Initial review indicates that no conflict of interest exists. However, this will continue to be monitored as part of the regular work programme of the Division for Audit and Management Review.	Completed

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Recommendations	UNDP response to the Fifth Committee and External Auditors	Remarks/proposed steps	Status/(target date)
The audit coverage needs to be improved (rec. 7 (c)).	UNDP agreed that, because of staffing/resource constraints, audit coverage was less than desired. Cost-effective remedial measures have been included as part of the pilot scheme initiating a regional service centre in 1992.	The first regional service centre was established in late 1992 in Malaysia, covering the Asia and Pacific region. For 1993, audit coverage was significantly increased. A contract has been awarded to the internationally recognized firm Price Waterhouse, which will carry out annual internal audits of the 24 UNDP field offices in the Asia and Pacific region, from the regional service centre. Also, the regional service centre will be staffed by newly recruited auditors who will perform additional internal audit functions not included in the Price Waterhouse contract. The pilot regional service centre is to be expanded to other regions thereby increasing audit coverage in 1994.	Ongoing
Efforts should be made to obtain timely audited statements from executing agencies (rec. 7 (a)).	This arises because of the short time-frame between closure of accounts and the date audit certificates are required. UNDP continues to raise this issue in CCAQ (FB) to improve timeliness of reporting. However, as noted by the auditors, in effect, this does not appear to be a problem and accounts are properly reflected.	No further action required at this stage.	System-wide
The need to finalize pending standard basic executing agency agreements with FAO, WHO and ILO (annex I, rec. 6 (a)).	The standard basic executing agency agreement with WHO has been signed. Agreement with ILO expected by the end of November 1992. Negotiations are ongoing with FAO with a view to reaching agreement on a number of issues by the end of 1992.	Both the ILO and FAO agreements have now been agreed upon. The FAO agreement was signed on 27 April 1993. The ILO agreement was approved by ILO's Board in May 1993.	Completed

Recommendations	UNDP response to the Fifth Committee and External Auditors	Remarks/proposed steps	Status/(target date)
The number of projects to be executed should be strictly controlled so as not to exceed the management capacity of OPS (annex I, rec. 6 (c)).	Since 1991, a number of measures have been taken to increase operational efficiency. Combined with increased staffing approved in May 1992 this has resulted in a drop in the average project management officer's portfolio from 41 to 32.	Further decrease in the average number of projects per project management officer reflects the efficiency gains of the various measures undertaken by OPS in 1991 and 1992. The average portfolio is now 30 projects per project management officer. In addition, division chiefs no longer manage projects and are, therefore, able to devote their full time to division management.	Completed
New development initiatives should be tested for a trial period a l only fully implemented after the test is evaluated. (This refers to the Economists Programme in Africa.) (annex I, rec. 6 (d)).	A final report of an evaluation of this programme is expected in November 1992. Once UNDP has reviewed this it will be in a position to respond and implement required corrective actions accordingly.	The recommendations of the evaluation report have been reviewed by senior management. The main findings, in summary are: (a) the programme is fully justified and should be expanded to non-least developed countries; (b) there should be one economist per country; (c) the programme should be integrated into UNDP activities; (d) UNDP should improve understanding with other multilateral agencies of this programme, such as IMF/World Bank, AfDB and ECA; (e) the work programme should be prepared in collaboration with the resident representatives. Several of these recommendations have already been implemented, while others are ongoing activities.	Ongoing
Budget management and completion of projects executed by OPS needed to be improved considerably (annex I, rec. 6 (e)).	629 projects were either operationally or financially completed in the first nine months of 1992. As at September 1992, 277 budgets out of 1,646 showed over-expenditures more than $1,000. These were mostly within limits allowable by the guidelines. The new OPS information system, which should be in place by the end of 1993, will also help improve project budget management.	During 1992, semi-final or final budget revisions were processed for a total of 716 projects. In 1993, 232 budget revisions were processed to change status from "active" to "operationally completed" and 230 budget revisions to change the status from "operationally complete" to "financially complete". Continuous efforts will be maintained, as part of the normal work programme, to ensure that this continues to be closely monitored in the coming months and years.	Ongoing

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Recommendations	UNDP response to the Fifth Committee and External Auditors	Remarks/proposed steps	Status/(target date)
The practice of retroactive signing of consultancy contracts in OPS should be discontinued: uncompromising efforts are needed (annex I, rec. 6 (f)).	Following internal instructions issued to all staff, the number of post-facto contracts declined drastically. Between 1 July 1991 and 30 September 1992 there were only 19 such cases, which were approved only after very careful and thorough review, with full written justification.	Continuous close monitoring is maintained by both OPS and the Chief Procurement Officer. Mechanisms have been established, in both OPS and the Bureau for Finance and Administration, to ensure proper accountability and necessary checks and balances.	Ongoing
OPS should provide management services only on a sound legal basis with both the funding donor and the recipient country (annex I, rec. 6 (g)).	OPS continues to believe that adequate legal arrangements do exist within established management service agreement procedures and confirms that no loss has ever occurred under this arrangement nor is it likely to do so in the future.	As indicated to the Auditors, their remark referred to one specific donor, with whom it was not necessary to establish any legal contractual agreement since the management service agreements are not between the donor and UNDP but rather between UNDP and the recipient country, for whom OPS provides the services. As such, no further action is required.	Completed
OPS should use its authority more consistently to delegate procurement activities: actual development will have to be observed (annex I, rec. 6 (h)).	The appropriate delegation of authority to the field was issued in April 1992.	No further action required.	Completed
Amendments should be made to the Standard Basic Executing Agency Agreement to include assessment of efficiency and all audit findings (annex I, rec. 6 (b)).	This matter has been drawn to the attention of the agencies. CCAQ (FB) has indicated that members are reluctant to pursue the matter further. ACABQ has recommended that the Panel of Auditors should review this and report to the General Assembly. UNDP awaits the outcome of this review.	At the request of CCAQ (FB), the Panel of Auditors reviewed the question of the nature and scope of information submitted to the UNDP External Auditors by the External Auditors of the executing agencies. As a result of its discussions, the Panel issued an audit guideline which defines procedures, documentation, cooperation and reporting considerations. No further UNDP action is, therefore, required.	Completed

Recommendations	UNDP response to the Fifth Committee and External Auditors	Remarks/proposed steps	Status/(target date)
The aspect of general deterrence in the prevention of fraud needs more attention (annex II, rec. 6 (d)).	As previously reported, UNDP issued circulars and established an ad hoc committee on financial liability. Following its deliberations on a few cases, corrective action was called for and taken accordingly.	No further action required. This issue remains under constant review and scrutiny by the Chief Financial Controller, as part of the Bureau for Finance and Administration's regular work programme. The ad hoc committee was replaced by the Standing Committee on Personal Responsibility and Financial Liability, which was established on 1 October 1993 and is currently functioning.	Completed
Before establishing new trust funds or sub-trust funds, the impact on the administrative workload should be assessed (annex II, rec. 6 (e)).	All trust funds or sub-trust funds continue to be accepted only on the basis of assured funding and covering all administrative costs.	UNDP continues to believe that the incremental workload related to trust funds is adequately covered by the extrabudgetary funds provided. The systems reprogramming necessitated by the successor arrangements for support costs has been defined, including requirements for trust funds and management services. The full implementation of the new system is scheduled for the second half of 1994 owing to the time required to verify and reconcile existing records. However, the main modules of the system have been tested and are fully operational.	Ongoing (1 September 1994)
An up-to-date strategy for temporary employment needed to be developed: existing rules should be complied with (annex II, rec. 6 (f)).	In line with Governing Council decision 92/37, UNDP has commenced preparations of the design of the new contractual arrangement. UNDP will also be reporting to the Governing Council in 1993 and a comprehensive report in 1994 on the experience gained.	UNDP has pursued its work on the new form of short-term contracts (activities of limited duration) on both the design aspects as well as the necessary consultations, with the United Nations, other agencies and the ICSC. These matters have taken somewhat longer than expected, but the Division of Personnel launched the first such contracts under a pilot scheme in December 1993.	Completed

Recommendations	UNDP response to the Fifth Committee and External Auditors	Remarks/proposed steps	Status/(target date)
Guidelines should be issued clearly delineating between programme and operating expenditure (annex II, rec. 6 (b)).	UNDP established clearer delineation with its proposal of the programme support and development activities category, which was approved by the Governing Council in its decision 91/46. UNDP will be reporting further to the Council in June 1993 in response to the request by the Council for specific criteria for the allocation of posts to the programme support and development activities line.	This issue was addressed in the 1994-1995 budget strategy, as contained in document DP/1993/45 on revised budget estimates for 1992-1993 and budget estimates for 1994-1995. By its decision 93/35, the Governing Council took note of the report of the Administrator on programme development activities in the context of budget estimates for 1994-1995. This report was in response to decision 91/46.	Completed
Detailed instructions are needed to inform all personnel of their responsibility and financial liability: implementation/ enforcement needed (annex II, rec. 6 (c)).	As reported in DP/1992/41, this has been implemented.	In October 1993, the ad hoc committee mechanism was replaced by the establishment of the Standing Committee for Personal Responsibility and Financial Liability. The Committee is currently fully operational.	Completed

B. United Nations Children's Fund

4. Only two of the five areas of concern highlighted in paragraph 9 of resolution 47/211 of 23 December 1992 pertain to UNICEF. They are: the need to strengthen budgetary control (para. 9 (a) of resolution 47/211); and the need to tighten control over the inventory of non-expendable property (para. 9 (e) of resolution 47/211).

1. Action taken in response to paragraphs 9 (a) and 9 (e) of resolution 47/211

5. The actions taken by UNICEF in response to the concerns expressed by the General Assembly in paragraphs 9 (a) and (e) of its resolution 47/211 are described in paragraphs 6 to 10 below.

6. With regard to paragraph 9 (a) of resolution 47/211, the UNICEF administration continues to give priority attention to the issue of overexpenditure in its programme and administrative budgets. In the report submitted to the Executive Board at its 1993 regular session, the steps taken to address the problems were identified as set out below:

(a) The secretariat regularly reviews and monitors the budgetary allotments of all offices, the results of which are provided to the field offices on a regular basis;

(b) In addition, a special report on overexpenditures in the programme budgets is now being prepared and sent to the field offices on a monthly basis to facilitate the review of transactions that caused the overexpenditures, the reconciliation of field office records with the headquarters report, and the immediate preparation of the necessary adjustments to the accounts;

(c) Field offices are also reminded regularly, during regional workshops, training sessions and by means of written communication, of the critical importance of monitoring and reconciling their budgetary accounts.

7. It was also reported that an automatic "lock-up" facility was included in version 1.5 of the Global Field Support System released to the field offices in December 1992. This version of the support system has the facility of checking funds availability at various levels, i.e., at budget allotment levels, at the obligating level and at the payment level. The system can inhibit any financial activity that would be in excess of the authorized funds at those levels.

8. In addition, the following steps were taken in 1993:

(a) In July 1993, the "external payments" system was implemented. External payments are defined as charges made against a particular office's budget by other offices. The new system provides New York headquarters with the facility to download the external payments onto a diskette and allows the field offices to upload such data into their local databases. This process ensures completeness of database information at the field office level;

(b) The new registration system of the accounting system was designed and partially implemented in 1993, with full implementation targeted for 1994. With the new system, accounting entries giving rise to overexpenditures, which have been accepted at offices outside of New York headquarters, will be highlighted. This will facilitate follow-up action by headquarters.

9. In 1994, the administration will evaluate the effectiveness of the controls that have been put in place.

10. With regard to paragraph 9 (e) of resolution 47/211, in 1992, the UNICEF administration issued instructions prescribing procedures for accounting, the maintenance of records and the conduct of annual inventory-taking for non-expendable property. Compliance with those instructions was monitored in 1993 and appropriate follow-up action taken as necessary.

2. Progress report regarding specific measures taken to implement previous recommendations of the Board of Auditors

11. This section restates a number of recommendations of the Board of Auditors deriving from the audits of the UNICEF accounts for the biennium 1990-1991, 2/ and, following each recommendation, describes the specific measures taken by UNICEF to date to implement the recommendations. The relevant recommendations of the Advisory Committee on Administrative and Budgetary Questions have also been taken into consideration in adopting these measures.

Recommendation 7 (b)

12. To make the procurement services self-sustaining, the following measures should be taken:

(a) Staff costs charged to the procurement services account should be reviewed and appropriate reductions made. In the future the number of posts should be commensurate with the volume of projected procurement services;

(b) Expenditure monitoring should be strengthened to keep operating costs down;

(c) The present rate of handling charges should be reviewed to reflect operating costs.

Measures taken by the United Nations Children's Fund

13. The Administration has taken steps to ensure that procurement services activities are self-sustaining. In the light of the changes listed below, the administration anticipates that income from handling charges will now be sufficient to cover the expenditures related to the procurement services account:

(a) As the Executive Board was advised in 1993, after a review of the reasonableness of the handling charges, the rates have been increased from

4 per cent to 6 per cent for warehouse and vaccine orders and from 6 per cent to 8 per cent for non-warehouse items with effect from 1 July 1992;

(b) Effective 1994, the number of posts charged to procurement services income has been reduced from 57 to 38. This reduction was reflected in document E/ICEF/1993/AB/L.1 and Corr.1 and 2, which was submitted to the Executive Board at its 1993 regular session.

14. Further, the monitoring of income and expenditure in connection with procurement services is now managed entirely by one office. This will ensure a more effective control of the costs of providing the service than the previous procedures where the monitoring responsibility was split between two offices.

Recommendation 7 (c)

15. With regard to cash advances to Governments:

(a) UNICEF should rededicate itself to ensuring full compliance by its field offices with the requirement on the release of new advances (now referred to as "cash assistance") only upon the liquidation of prior ones;

(b) Field offices should provide yearly estimates of cash assistance required for disbursement to Governments in the course of the year;

(c) A separate input code should be introduced to record cash assistance paid out so that a global figure can be obtained for purposes of control and follow-up.

Measures taken by the United Nations Children's Fund

16. The accounting instruction redefining the accounting procedures, entries and a separate input code for cash assistance was issued in October 1993. In 1994, the Administration will evaluate implementation of the instruction by the field offices, determine areas for improvement and provide assistance and follow-up where necessary.

Recommendation 7 (d)

17. The payments of salary allowances and other cash incentives to government employees involved in the implementation of UNICEF-assisted programmes should be discontinued, pending the development of an appropriate policy for consistent application world wide.

Measures taken by the United Nations Children's Fund

18. In line with the recommendations made by the auditors in their follow-up of this recommendation, the administration prepared preliminary policy guidelines on the payment of salary and salary incentives to government employees working in UNICEP-assisted programmes and projects. The Joint Consultative Group on Policy (JCGP) is now in the final stage of the study on this issue. As soon as the final results of the study are ready, the administration will review the

preliminary guidelines and ensure that these are aligned with the recommendation of the JCGP working group.

Recommendation 6 (f) 3/

19. Project planning should adequately articulate implementation requirements to enhance programme delivery. In addition, circumspection is advised in the reallocation of funds from slow-moving projects to fast-moving ones, so that the policy does not result in the unconscious neglect of projects located in "difficult" areas which have perennial implementation problems.

Measures taken by the United Nations Children's Fund

20. The administration continues its effort to improve monitoring capacity, thereby helping field offices to maximize programme implementation. In their management letter for the second interim audit of the 1992-1993 accounts, the auditors commented on the fact that the increased programme expenditures in 1992 contributed to the significant drop in the income surplus as at the end of 1992. The auditors indicated that this suggested improved programme delivery.

Recommendation 7 (e)

21. Decisions taken in emergency situations should be regularly reviewed to establish their continuing validity to ensure that services are provided with due regard to economy.

Measures taken by the United Nations Children's Fund

22. The administration has taken all steps to implement the recommendation and is confident that no further action is necessary.

Recommendation 7 (f)

23. UNICEF should reassess the adequacy and appropriateness of its present liquidity policy, given the recurring significant excesses over the established requirement.

Measures taken by the United Nations Children's Fund

24. As the Executive Board was advised at its 1993 regular session, excess liquidity was not the result of the liquidity policy itself, but the result of income exceeding projections and programme expenditure not meeting projections. The administration will assess the organization's latest liquidity position in the light of the income and expenditures for the biennium 1992-1993.

25. Further, after their second interim audit for the biennium 1992-1993, the auditors suggested that a revised format for the presentation of the liquidity position be prepared. In the process, the administration will take into account improved transparency in financial reporting.

Recommendation 7 (g)

26. In keeping with current United Nations practice, the value of non-expendable property, of which the ownership remains with UNICEF, should be disclosed in a note to the financial statements.

Measures taken by the United Nations Children's Fund

27. The value of non-expendable property submitted by the UNICEF offices was disclosed in the notes to the financial statements for the year ended 31 December 1992. The value, as at the end of 1993, will also be disclosed in the notes to the financial statements for the biennium ended 31 December 1993.

Recommendation 7 (h)

28. In the Greeting Card and related operations, the effects of unfavourable exchange rate fluctuations should be minimized by resolving the timing differences in the recognition of sales at the balance sheet date (30 April) and the dates actual payments are made by sales partners (after 31 August).

Measures taken by the United Nations Children's Fund

29. The administration has recommended the incorporation of a clause in the draft recognition and cooperation agreement that calls for a remittance date that is closer to the balance sheet date of 30 April than 31 August. This draft agreement, when finalized, will be submitted to the National Committees for UNICEF for their concurrence.

Recommendations 6 (i) 3/ and 7 (i)

30. During fund-raising activities, prospective donors should be encouraged to provide sufficient information on their contributions to facilitate their accounting, acknowledgement and effective utilization. In this connection, a standard advice form indicating the relevant information may be completed by donors. Unless otherwise specified by donors, all multi-year contributions received should be recognized as income to the supplementary fund in accordance with the donor's intent as specified in the disbursement schedules.

Measures taken by the United Nations Children's Fund

31. The administration has finalized the financial circular, which clearly defines the income recognition policies of the organization. After its issuance in 1994, the administration will monitor implementation thereof to ensure adherence to the policies.

32. The administration continues to exert efforts to obtain relevant information on the disbursement schedule, the currency of payment and the status of parliamentary approval.

Recommendation 7 (i)

33. Necessary assistance should be provided to facilitate the completion of the clean-up of the staff personal accounts.

Measures taken by the United Nations Children's Fund

34. The review of balances in the staff personal accounts that were identified for inclusion in the clean-up has been completed. The administration will ensure that the necessary adjustments noted during the review process are completed in 1994. Further, in 1993, the administration took the following steps to emphasize the importance of the account:

(a) A new accounting instruction on staff personal accounts was issued;

(b) A letter from the Comptroller was sent to all UNICEF offices emphasizing the need for adherence to financial and accounting policies as these relate to staff personal accounts;

(c) A new system to monitor advances and their recoveries for staff under the New York headquarters payroll has been developed and is in its initial stage of implementation.

35. In 1994, the administration will monitor compliance with the instructions and ensure follow-up action where necessary. Further, the administration will evaluate the operation of the new system for efficiency and effectiveness.

C. United Nations Relief and Works Agency for Palestine Refugees in the Near East

36. Unlike most United Nations organizations and programmes, UNRWA is audited by the Board of Auditors on an annual basis. The summary of the recommendations of the Board of Auditors in its report for 1991 4/ and UNRWA's action in response to those recommendations are described below.

Recommendation 6 (a)

37. The Agency's internal audit should cover offices and departments in headquarters within regular intervals.

38. This is presently being done. The latest example is the financial audit: headquarters, Vienna 1992-1993, on staff entitlements.

Recommendation 6 (b)

39. The Agency should avoid the use of internal auditors in line functions.

40. The Agency agrees. Internal auditors are not used in line functions except in cases of extreme emergency.

Recommendation 6 (c)

41. The Agency should initiate an equipment checking programme: the recording of equipment, especially EDP equipment, should be reviewed in all field offices.

42. The Agency has implemented an equipment checking programme at headquarters and in the field. This includes equipment of the Information System Office (ISO).

Recommendation 6 (d)

43. Equipment assigned to the Agency's Public Information Office should be physically checked and records reviewed.

44. During the 1993 equipment checking (fourth quarter) all equipment of the Public Information Office was checked and the records were updated accordingly.

Recommendation 6 (e)

45. A comprehensive survey should be carried out in all field offices in order to identify and dispose of surplus or obsolete equipment.

46. As a result of the equipment checking carried out Agency-wide, surplus and/or obsolete equipment is being identified and surveyed and disposed of in accordance with established procedures.

Recommendation 6 (f)

47. The Agency should establish a consistent policy concerning the treatment of staff members who lose or damage Agency property.

48. UNRWA has striven for consistency, but the difficult environment and sometimes extraordinary circumstances that can surround such incidents, make flexibility desirable.

Recommendation 6 (g)

49. The Agency should consider investing the equivalent of the forecasted amounts of headquarters disbursements of Austrian schillings and deutsche mark in deposits of those and other denominations in order to achieve higher interest. Contributions received in Austrian schillings and deutsche mark are held in deposit for meeting Agency's known requirements of these currencies unless there are pre-existing obligations under the forward contracts. Deposits of contributions received in other denominations, including in United States dollars, are generally made on the basis of the following considerations:

(a) Present and forecasted amounts of disbursements in various currencies;

(b) Interest rates and their expected movements in the future;

(c) Exchange rates of various currencies in relation to the United States dollar and their expected movements in the future;

(d) Outstanding forward contracts, if any.

50. During 1992 and 1993, bank deposits were held in the following currencies:

1992	1993
Deutsche mark	Deutsche mark
European currency units	Pounds sterling
Swiss francs	Swiss francs
French francs	French francs
Austrian schillings	Austrian schillings
Norwegian kroner	Norwegian kroner
United States dollars	United States dollars
	Lire
	Swedish kronor

Therefore, bank deposits in various currencies are made on the basis of the Agency's requirements of these currencies and market conditions with respect to interest and exchange rates.

Recommendation 6 (h)

51. Prior to an investment in United States dollars, the Agency should examine if it is more advantageous to convert United States dollars into other currencies combined with forward contracts.

52. Fifty per cent of the Agency's total annual income is received in United States dollars, whereas approximately 90 per cent of the Agency's total annual requirements are in United States dollars. All currencies which are used in our fields are also purchased by selling United States dollars. For large sums of expected contributions in currencies that are likely to depreciate against the United States dollar, the Agency has used the mechanism of forward contracts to protect the dollar value of those contributions. Owing to a great volatility in the currency market, with its associated risks and exposure to exchange losses, the Agency is of the view that it is not prudent to convert United States dollars into other currencies combined with forward contracts for the sole purpose of earning a higher rate of interest on deposits in such other currencies. If the United States dollar depreciates significantly against other currencies, it is possible that the Agency may incur exchange losses higher than the additional interest income.

Recommendation 6 (i)

53. The Agency should reduce the present number of bank accounts and examine the installation of a micro-workstation in order to facilitate the cash management.

54. During 1993, the Agency maintained 19 bank accounts for its headquarters' operations (compared to 18 in 1992 and 24 in 1991). A Chase Micro-Work was introduced in December 1992. Presently, this work station is used for transactions in United States dollars and pounds sterling. The Agency is

exploring the possibilities of upgrading its uses to include transactions in other currencies as well. Furthermore, discussions are currently under way with one of the leading banks in Austria for the introduction of an electronic banking system, mainly for transactions in Austrian schillings.

Recommendations 6 (j) and (k)

55. The Agency should establish procedures for its Information Systems Office (ISO) and set up documentation standards for its EDP applications; the duty segregation between development and execution of EDP applications should be improved (recommendation 6 (j)); and according to its information systems strategy, the Agency should concentrate all staff resources dealing with personal computers (PCs) and PC-based applications within the Information Systems Office (recommendation 6 (k)).

56. Since the time of the audit, the Information Systems Office has embarked on a plan to convert all IBM and WANG systems to either UNIX/SYBASE or PARADOX running on its Local Area Networks. The new systems will be largely field-based. No further development on IBM is contemplated and most systems should be converted within the next three years. Because of this change no further work has been done on standards for the IBM environment. The Information Systems Office is in the process of establishing software and documentation standards for the new environment which will be adhered to both by its own staff and by any contractors developing software for UNRWA. Additionally, the Information Systems Office is working on establishing configuration management procedures that will better define the interface between development and operations.

Recommendation 6 (l)

57. The Agency should implement specific measures in order to ensure the security of EDP resources (hardware, software and data) at headquarters and the field offices.

58. The Information Systems Office has taken several steps to ensure greater EDP security, including the development of a security plan, installation of anti-virus software on all PCs and building of security into systems as they are developed. In addition, no use can be made of any data without the permission of the "owning" division or office.

Recommendation 6 (m)

59. The Agency should establish and implement appropriate job-related training programmes for the EDP staff.

60. A formal staff training programme has been initiated and the training budget tripled to accommodate it. Training plans are established every six months for the next six months. Integration of courses and their applicability to the Information Systems Office plans are taken into consideration in planning.

Recommendation 6 (n)

61. In order to make savings of EDP procurement, the Agency should use software packages that comply with users' needs and skills; carry out economical and technical reviews prior to the purchase of hardware; and conclude a blanket contract for PC hardware procurement.

62. The Information Systems Office has completely redone its policies and procedures regarding procurement of both hardware and software. Currently, all standard software is purchased through headquarters at Vienna by means of site license agreements and special contracts. Software is provided on each machine on the basis of user need. Hardware will be purchased in 1994-1995 by means of a contract with selected vendors for a one-year period. The Information Systems Office is currently reviewing the tenders. All computer-related purchases must be approved by the Chief, Information Systems Office.

63. The high costs for EDP report printing should be reduced by regularly reviewing the need for printed EDP reports and by using files downloaded on diskettes instead of printed reports.

64. Over the past year the number of reports has been monitored and reduced wherever possible. The number of downloads have greatly increased. In addition, after a cost benefit study, the Information Systems Office purchased a high-speed printer that enables us to avoid paying the high print costs charged by IAEA.

D. United Nations Institute for Training and Research

65. Like UNRWA, UNITAR is audited by the Board of Auditors on an annual basis. The summary of recommendations of the Board of Auditors in its report for 1992 5/ and UNITAR's action in response to those recommendations are described below.

Recommendation 9 (a)

66. In view of the decision of the General Assembly to streamline and restructure UNITAR, the UNITAR Administration should now ensure that the Institute's budget is based on levels of realizable income and programmes or projects are set to the extent of available voluntary contributions.

67. The recommendation has been implemented for 1993.

Recommendation 9 (b)

68. With the contemplated transfer of UNITAR headquarters from New York to Geneva, a decision on the question of rental charges for office premises at Geneva is required quickly.

69. At its thirty-first session, from 23 to 25 February 1994, the Board of Trustees of UNITAR made the following recommendation:

"After taking cognizance of the Memorandum from the Officer-in-Charge, Department for Administration and Management, dated 22 February 1994, the Board noted that the rent charged by the United Nations Office at Geneva in December 1993, to be applied retroactively, would have grave implications for the immediate future of the Institute. It also noted that the decision to charge UNITAR for its office space at Geneva was not covered by any specific contract and was based upon a directive which did not clearly state the legal or economic basis for the rental charge. The Board stressed that this appropriation of rental charges went counter to the clear will of the Member States that the Institute continue its activities as expressed in successive General Assembly resolutions. It also noted that part of the office space of UNITAR at Geneva was used to service the United Nations itself, which was not being charged rent by the Institute. The Board further advanced the unanimous opinion that the magnitude of the rent charged did not correspond to the actual quality of the premises nor the services provided. The Board considered that the unilateral debiting of the Institute's account in the amount of US$ 134,136 was tantamount to a seizure of the Institute's assets and not in line with the role of the United Nations as the trustee of the Institute's funds. The Board questioned whether the Secretary-General had been informed of or consulted on this obvious error and, consequently, decided on the following:

"(a) To instruct the Acting Executive Director to negotiate with the United Nations Office at Geneva regarding the rent for 1993 and beyond, and to explore - and then present to the Board - options regarding the premises of the Institute in both Geneva and New York;

"(b) To request that pending negotiations, the appropriated rental charges be reimbursed;

"(c) To bring the matter to the attention of the Secretary-General, as well as to the Advisory Committee on Administrative and Budgetary Questions and, if needed, the General Assembly.

The Board adopted, with the above reservations, the combined Statement of Income, Expenditures, Asset and Liabilities."

Recommendation 9 (c)

70. The liaison officer responsible for the restructuring of UNITAR should now be designated and specific guidelines be formulated on the transfer of accounting and financial services from New York to Geneva, including accountabilities for valuable books and non-expendable property of an attractive nature.

71. Pursuant to General Assembly resolution 47/227 of 8 April 1993, the designation of a liaison officer is the responsibility of the Secretariat and not of UNITAR.

Recommendation 9 (d)

72. The Special Purpose Grants Fund projects which have cumulative deficits should be analysed in order to effect the appropriate accounting entries for their closure.

73. The Special Purpose Grants (SPG) Funds projects which have a cumulative deficit have all been designed and conducted in New York. Most of the projects have been discontinued within the process of restructuring and streamlining of UNITAR. UNITAR considers that this cumulative deficit should be included into the global debt towards the United Nations, which has been written off, against the appropriation of UNITAR's building. The nature of the debates at the forty-seventh session of the General Assembly, as well as the letter and spirit of resolution 47/277, do not discriminate between the different possible natures of the debt. The will of the Member States was clearly to write off the debt and give UNITAR a chance to start on a new and sound basis. The present cumulative deficit amounts to roughly one half of UNITAR's General Fund. Should it be charged it could jeopardize the future of the Institute and counter the will of the Member States. The question would be submitted to the attention of UNITAR's Board of Trustees during its next session, should this deficit not be considered as written off together with UNITAR's debt, in accordance with resolution 47/227.

Recommendation 9 (e)

74. Periodic monitoring of the financial status of Special Purpose Grants Fund projects should be the responsibility of finance and project officers of UNITAR to ensure proper charging of expenditures and to allow sufficient time for making requests of supplementary funds when needed.

75. Following the recommendations of the Board of Auditors, UNITAR introduced a new information system (Excel software) allowing the programme officers to monitor constantly the financial status of the SPG projects for which they are responsible. This system should be fully operational before the end of 1994.

E. Voluntary funds administered by the United Nations High Commissioner for Refugees

76. The voluntary funds administered by the United Nations High Commissioner for Refugees are also audited by the Board of Auditors on an annual basis. The summary of recommendations of the Board of Auditors in its report for the year 1992 6/ and the measures taken to implement those recommendations are described below.

Recommendation 9 (a)

77. The Board of Auditors made two observations under this recommendation:

(a) The Administration should review its procedures to improve the effectiveness of its internal controls on cash resources;

(b) The section of the Internal Audit Division (now the Audit and Management Control Division) dealing with the Office of the United Nations High Commissioner for Refugees (UNHCR) should have as one of its audit priorities next year the strengthening of internal controls on cash resources in field offices.

Measures taken by the Administration

78. These recommendations grew out of observations in the section of the audit report dealing with cash management. Three particular paragraphs, namely 70, 75 and 79, were referred to in summary recommendation 9 (a).

79. The detailed recommendation found in paragraph 70 states that the monthly ceilings on the Zero Dollar Imprest Accounts should be assessed on a periodic basis so that these are set in more realistic and reasonable limits.

80. In relation to this specific recommendation, it should be noted that ceilings of the Zero Dollar Imprest Accounts have been reviewed and adjusted, where appropriate. Because of changing needs, the review of ceilings must be an ongoing process. These are being kept under constant review.

81. The detailed recommendation in paragraph 75 stated that UNHCR should strengthen controls in the establishment of bank accounts of implementing partners in order to prevent any use of these funds for other purposes. In addition, balances of petty cash funds should be assessed and determined based on the requirements of the projects involved and not on administrative delays in the processing of implementation at the field offices.

82. As regards the creation of separate bank accounts for UNHCR projects, this requirement is a standard clause of UNHCR project agreements. UNHCR has been discussing this issue with implementing partners, with a large amount of success. However, in those instances where implementing partners (especially governmental bodies) refuse to do so, UNHCR faces a particular dilemma, as it often has no other implementing partner to turn to in order to care for the

refugees. UNHCR will continue to draw the audit observation to the attention of the implementing agencies concerned.

83. With regard to the recommendation in respect of petty cash, it should be noted that ceilings are not established on the basis of anticipated administrative delays, but primarily on the basis of needs. However, UNHCR feels that the time required for the transfer of funds from a branch office to a field office (referred to as administrative delays by the auditors) must also be taken into account.

84. With regard to the detailed recommendations in paragraph 79, two points were made:

(a) The administration should review its procedures to improve the effectiveness of its internal controls;

(b) The UNHCR section of the Internal Audit Division develops an audit strategy where, in a given year, the section concentrates its audit in one specific area to ensure wider coverage of field offices and to achieve tangible audit results. For the ensuing year, the audit should be focused on the strengthening of internal controls on cash resources in field offices.

85. The first of the above recommendations was occasioned by the practice at Headquarters whereby one staff member was responsible for the collection, deposit of collections in banks and the preparation of monthly bank reconciliation statements. Similarly, in a number of field offices, only one staff member was responsible for the custodianship of funds, keeping of accounting records and preparation of bank reconciliation statements.

86. At Headquarters, the recommendation has been fully implemented, in so far as a new post has been created to discharge the specific duties referred to by the auditors. In field offices, UNHCR continues to implement the course of action as indicated in the audit report.

87. As regards the second of the recommendations in paragraph 9 above, UNHCR is working closely with the newly appointed Assistant Secretary-General for Inspections and Investigations to establish audit strategies and to strengthen the capacity of the Internal Audit Section dedicated to UNHCR. UNHCR hopes, in this way, to strengthen the internal financial control in field offices and at Headquarters.

Recommendation 9 (b)

88. The Branch Office in Costa Rica should immediately review its internal control system on cash resources, including a full examination of payments made without appropriate supporting documents and of cheques honoured and paid by banks without the required signatures.

Measures taken by the Administration

89. The Costa Rica office responded to all issues raised by the external auditors and started implementing the recommendations even prior to the

departure of the auditors from Costa Rica. On the specific issues raised, it can be reaffirmed that: (a) there has been a full examination of cheques issued without supporting documents and paid by the bank without the required joint signatures, and it has been determined that there has been no misappropriation or loss of funds; (b) before being locked in a safe, all blank cheques, when received from the bank, are verified by the Administrative Officer to ensure that the correct number of cheques requested has been received; (c) the bank has been reminded in writing of its responsibilities with regard to honouring cheques and has been instructed to return paid cheques on a monthly basis; and (d) a special file containing the basic agreements, terms of operation and copies of specimen signatures has been opened.

Recommendation 9 (c)

90. The formulation of tripartite agreements where appropriate and related sub-agreements should continue to be vigorously pursued by UNHCR. Meanwhile, amendments should be made to existing agreements with implementing partners and executing agencies to include provisions on fund accountability and adequate audit coverage.

Measures taken by the Administration

91. In has been of concern to UNHCR that certain Governments do not wish to enter into tripartite agreements. With regard to the specific case mentioned by the auditors in respect of Thailand, several discussions with the Ministry of Interior to this effect have been to no avail. None the less, UNHCR continues to pursue vigorously the issue. All UNHCR sub-agreements contain provisions for audits not only by United Nations internal and external auditors but also by audit institutions of the host country. These provisions are not being followed, however, in all instances, and it is not always possible for UNHCR to impose sanctions on implementing partners, especially if these are government agencies.

92. The implementation of this recommendation is ongoing as UNHCR continues its negotiations with the host Government and the implementing partners in order to persuade them to follow UNHCR established procedures.

Recommendation 9 (d)

93. The administrative lapses and lack of coordination that have caused delays in the implementation of projects should be assessed and remedial actions undertaken.

Measures taken by the Administration

94. This recommendation focused on the late receipt of letters of instruction.

95. Considerable improvements were achieved in the preparation of 1993 letters of instruction by the introduction of regular "status reports" on the processing of letters of instruction in the different UNHCR units. Another initiative taken in relation to the 1994 letters of instruction is the introduction of an "advance letter of instruction" which is cabled from Headquarters in advance of

the standard letter of instruction and summarizes all the essential project authorizations.

Recommendation 9 (e)

96. UNHCR should review its system of allocating funds to projects to ensure a more efficient and effective distribution of resources. The Administration should continue with its review and cancellation of long outstanding unliquidated obligations, including those raised against contributions in kind amounting to $33.8 million at 31 December 1992.

Measures taken by the Administration

97. Several times a year a thorough review of the prior year's projects is now undertaken with a view to cancelling outstanding balances that are no longer required.

98. The implementation is an ongoing structured exercise carried out in the course of a given year.

Recommendation 9 (f)

99. UNHCR field offices should institute measures that would lead to more economic and efficient utilization of resources by the implementing partners and executing organizations through proper monitoring and more frequent visits to refugee camps and other areas of operations.

Measures taken by the Administration

100. UNHCR has undertaken an in-depth review of the processes for the selection and management of implementing partners and a complete review of financial systems and procedures, with the intention of streamlining and strengthening financial management and control as well as ensuring more efficient and effective programme delivery.

101. Implementation started in mid-1993 and the targeted completion is the first half of 1994.

Recommendation 9 (g)

102. UNHCR should continue to develop its plan and strategy for the computerization of its financial and personnel management systems in a more comprehensive and integrated form. Close coordination with the United Nations Integrated Management Information Systems (IMIS) Committee would be useful in order to benefit from its experiences and to adopt systems already developed that could be made applicable to the UNHCR environment.

Measures taken by the Administration

103. UNHCR has been in close contact with the IMIS New York team throughout the past year and is presently testing the personnel system on a pilot basis. With regard to the financial system, a full study is being undertaken in order to

provide a basis for assessing whether IMIS will meet the future information-systems needs of UNHCR. This study is scheduled for completion in the first quarter of 1994.

Recommendation 9 (h)

104. The Board made three recommendations as regards the preparation and submission of project monitoring reports:

(a) The recently established task force should continue to analyse and process the reports for completed projects;

(b) Quarterly reports on the status of report submission should be generated for general circulation;

(c) Reporting requirements as set out in the agreements and sub-agreements should be enforced.

Measures taken by the Administration

105. The Task Force set up earlier this year to clear the backlog of project monitoring reports is near completing its task. UNHCR is also reviewing the existing procedures for project closure with a view to streamlining them. This exercise will result in future project closures occurring in a timely and effective manner. This review is targeted for completion by mid-1994.

106. As regards the second and third parts of the recommendation (para. 104 above), it should be noted that the status of report submissions and projects outstanding for closure has been computerized and made available on-line to all users. This will ensure a more timely follow-up in the future of the submission of project reports and the enforcement of reporting requirements. In addition, the reviews referred to in the comments on recommendation 9 (f) should improve UNHCR's capacity to enforce the reporting requirements as set out in the agreements and sub-agreements with implementing partners.

Recommendation 9 (i)

107. The circumstances prevailing in the hiring of consultants and temporary assistance should be reviewed to determine whether exceptions from existing or new administrative instructions dealing with UNHCR may be issued.

Measures taken by the Administration

108. UNHCR started such a review in 1993. Its completion is foreseen for mid-1994.

Recommendation 9 (j)

109. Field offices should be instructed to comply with reporting requirements for goods received through international shipments.

Measures taken by the Administration

110. The purchasing system is being modified in order to generate reminders for receiving reports. An instruction has been issued to field offices insisting on the timely return of receiving reports.

111. The first stage of the implementation is completed. UNHCR will, however, have to keep following up on the issue to ensure compliance by all field offices.

Recommendation 9 (k)

112. Procurement request documents should be completed fully to ensure prompt delivery of goods in accordance with specifications and to meet the needs of refugees.

Measures taken by the Administration

113. Written instructions addressing the full range of concerns related to procurement authorization are under preparation.

114. Implementation will be completed by the end of 1993.

Recommendation 9 (l)

115. UNHCR should institute measures to strengthen the capacities of field offices to be able to comply with procurement regulations.

Measures taken by the Administration

116. UNHCR has started activities designed to strengthen the procurement processes, including the implementation of a computerized system for the management of procurement in regional offices.

117. Implementation is under way and will continue in 1994.

Recommendation 9 (m)

118. The Administration should continue its efforts to locate other competent suppliers for a commonly needed item in all refugee operations.

Measures taken by the Administration

119. Work initiated in 1992 to find alternative suppliers has continued in 1993 with good results. In the specific case mentioned in paragraph 43 of the report, concerning the supply of reinforced plastic tarpaulins, several suppliers with potential have been identified. However, although cheaper, they have a longer delivery time and are located in countries far from the current programmes. While UNHCR is ordering from these cheaper suppliers to fill strategic stockpiles being created, it is likely that in order to respond quickly to emergencies UNHCR will have to continue to rely on its traditional supplier.

120. The effort to identify competent suppliers who are also able to respond promptly to emergency procurement requests is an ongoing challenge for UNHCR. With regard to the particular product mentioned in the audit report - reinforced plastic tarpaulins - UNHCR has already identified four new suppliers.

Recommendation 9 (n)

121. The Board reiterated that the reports on contributions in kind should be submitted on a timely basis. In future, accounting for contributions in kind should be done in conformity with the common accounting standards being developed currently for the United Nations system.

Measures taken by the Administration

122. A special effort has been made by UNHCR to improve the submission of reports, and the number of outstanding pledges has considerably decreased. UNHCR existing procedures for the recording of contributions are in accord with the United Nations accounting standards.

123. The implementation is an ongoing process and will continue in 1994.

Recommendation 9 (o)

124. The maintenance of property records and the applications of established procedures and of relevant forms for the control and disposal of non-expendable property should be enforced to establish proper accountability.

Measures taken by the Administration

125. A task force is presently revising the guidelines for managing non-expendable property with a view to implementing them in all field offices.

126. The implementation is targeted for completion during the first half of 1994.

Recommendation 9 (p)

127. Negotiations should be pursued on behalf of UNHCR with the host Government on the status of local staff in Viet Nam.

Measures taken by the Administration

128. UNDP, on behalf of all United Nations agencies, is responsible for negotiations with the Vietnamese authorities on this subject. During his visit to Viet Nam in April 1993, the Secretary-General conveyed to the authorities his desire to resolve this issue.

129. Negotiations are under way. Recent indications from UNDP suggest that results can be expected soon.

F. United Nations Environment Programme

130. The summary of recommendations of the Board of Auditors in its report for 1990-1991 7/ and the measures taken by UNDP to implement those recommendations are described below.

Recommendation 7 (a)

131. The pace of implementation of trust fund projects should be accelerated to ensure adequate utilization of available funds.

132. This refers specifically to the Trust Fund for the Multilateral Fund under the Montreal Protocol on Substances that Deplete the Ozone Layer since it was the one that showed a significant low utilization of available resources. The Executive Committee of the Multilateral Fund is responsible for the review and approval of projects and makes decisions on the disbursement of funds. During the biennium 1992-1993 an amount of US$ 120 million was disbursed to the implementing agencies for utilization on approved projects. The comparative figure for 1990-1991 is $8 million. This clearly indicates that more programmes for implementation had been approved in 1992-1993 for which funds were made available.

133. On the other hand, contributions also increased dramatically during the same period, so that at the end of the biennium 1992-1993 there was still a large balance of unutilized available resources. The Executive Committee has come up with the following solutions:

(a) Promissory notes. The Executive Committee and the donors have agreed on the introduction of promissory notes which would only be encashed as and when the funds are required. This will therefore slow down the flow of resources into the Fund;

(b) Cash advances to implementing agencies. Previously, the implementing agencies were provided with funds up front for a whole programme which may cover several years. This led to implementing agencies holding large cash advances which were not required for immediate use. In order to rectify this situation, the Executive Committee has now decided to give cash advances on an annual basis. This will effectively reduce the amount of cash advances held by the implementing agencies at any time;

(c) Approval of projects. The approval process was rather slow since projects had to be reviewed and approved by the Executive Committee, which meets at best three times a year. The Executive Committee has now delegated this function to a subcommittee, which will meet more regularly to approve projects for immediate implementation.

Recommendation 7 (b)

134. A convenient system of reporting the project expenditures of the Montreal Protocol project should be worked out with the implementing partner.

135. Arrangements are now in place whereby UNEP and UNDP have agreed that owing to the difference in their financial closing dates, the financial reports of UNDP to be reflected in the UNEP accounts will consist of the fourth quarter statement of the previous year and the first three quarters of the current year.

136. We would also like to draw attention to paragraph 25 of the report of the Board, in which it is stated that no project expenditures were reflected in UNEP's financial statements in respect of $1.3 million advanced to UNDP for the implementation of the Montreal Protocol. The fact is that the first three quarters were indeed reflected and that only the fourth quarter expenditure was not included in the financial statements for the biennium 1990-1991 owing to differences in the reporting periods of UNEP and UNDP.

Recommendation 7 (c)

137. Projects should be implemented based on available funds and on the reasonable expectation of future funding in order to reduce the incidence of project revisions attributable to funding difficulties.

138. In general, no trust fund project is approved unless funds have been actually paid into the UNEP's Trust Fund Account or, in exceptional cases, when a signed agreement from the donor is received indicating that funds will be made available to UNEP for the agreed purpose. With regard to the general trust funds for convention secretariats, revisions are necessary because the assessed contributions from member countries come in at different times of the year, and often towards the end of the year. Since our budgets are based on existing funds, a revision is required to make the additional funds available to enable the secretariats to carry out their activities. Usually two to three revisions per year is required to facilitate the operation of the secretariats.

Recommendation 7 (d)

139. The activities of programme officers and fund management officers should be adequately coordinated to enhance expenditure monitoring.

140. The attention of the programme managers and the fund management officers have been drawn to this recommendation. Programme managers are now provided each month with a print out on the project accounts system reflecting expenditures and obligations against commitments. Furthermore, programme managers receive a monthly trust fund status report, indicating allocations, commitments, contributions received and available resources.

Recommendation 7 (e)

141. The present composition of technical cooperation trust funds should be reviewed with a view to merging some of them to ensure further improvement in their management.

142. In 1992, all 11 countries providing Junior Professional Officers and Professional Officers were asked whether they would object to the merging of these technical cooperation trust funds. Of these countries, only one country said it would not object to the merger. Five countries were against while

others either requested for more time to consider the proposal or did not respond at all. Therefore, the Governing Council at its 17th session, noted that the efforts to reduce the number of trust funds did not meet with the approval of the participating Governments.

Recommendation 7 (f)

143. Appropriate measures should be introduced to obtain the necessary reports to allow the timely closure of completed projects.

144. The following measures have been taken:

(a) Regular follow-ups have been initiated, using in many cases the assistance of UNDP country offices to obtain the required reports from supporting organizations. Moreover, programme managers and programme activity centres have been urged to expedite submission of reports to facilitate closing of projects;

(b) Final payments to implementing organizations are made subject to submission of the required reports, where appropriate;

(c) With the strengthening of the role of the UNEP regional offices, it is expected that they will be able to intensify UNEP's efforts to get the necessary reports in time which will facilitate the timely closure of completed projects.

Recommendation 7 (g)

145. Headquarters should compile a master inventory listing of all non-expendable property.

146. UNEP headquarters maintains a master inventory listing of all non-expendable property of UNEP, including those held in the regional offices, except for the computer equipment in use at Nairobi, which is being maintained by EDP, and a copy is furnished to the General Service Section.

G. United Nations Population Fund

147. The actions taken by the United Nations Population Fund (UNFPA) to implement the recommendations of the Board of Auditors in its report for 1990-1991 8/ are set out in the table below.

Recommendations	Follow-up action	Current status/Comments
Every effort should be made to avert further deterioration of the ratio between operational costs and programme expenditure (rec. 6 (a)).	During the 1992-1993 biennium, UNFPA implemented a savings plan and achieved gross savings of $17.5 million. (Administrative and programme support services expenditures did not exceed 93 per cent of the total appropriation approved by the Governing Council). In 1994, administrative and programme support services expenditures are expected to increase by 10.3 per cent compared to 1993. Under this scenario, UNFPA would realize gross savings of $6.0 million compared to the appropriation for 1994.	In 1992, the Fund managed to decrease further the ratio of administrative and programme support services expenditures to income from regular resources to 17.9 per cent. For the 1992-1993 biennium the ratio amounted to 19.2 per cent.
The control of UNFPA property entrusted to executing and implementing agencies needs to be strengthened considerably. Regarding property control, appropriate provisions and procedures should be established (recs. 6 (b) and (c)).	The Fund included appropriate provisions and procedures in the agreements being entered into between UNFPA and United Nations executing agencies, specifically requesting them: (a) to maintain complete and accurate records of all non-expendable supplies, equipment and other property purchased with UNFPA funds; (b) to take periodic inventories of all non-expendable supplies, equipment and other property in accordance with the financial regulations and rules of the executing agency; and (c) to provide detailed reports on such property to UNFPA as UNFPA may reasonably request. Similar provisions have been included in the guidelines on financial procedures issued in 1993 to all Governments and NGOs that are executing projects on behalf of UNFPA.	Through the use of new computer software, UNFPA seeks to ensure that the established procedures are reliably implemented.
The Governing Council decision regarding a separate Internal Audit Unit for UNFPA should be implemented without delay (rec. 6 (d)).	The UNFPA Internal Audit Section became operational in May 1993, with the appointment of the Chief of the Section. As a result, 13 UNFPA field offices were audited in 1993, compared with five offices in 1992. UNFPA has also joined UNDP arrangements for services provided by the Regional Service Centre in Kuala Lumpur, Malaysia, which will undertake annual audit coverage of all UNFPA country director offices in the Asia and the Pacific region.	Selection of a candidate for the second auditor's post was completed in February 1994, and recruitment has been initiated.
The retroactive approval of contracts with consultants should be discontinued immediately (rec. 6 (e)).	The Fund issued guidelines on the recruitment of consultants on 10 January 1992, and has taken numerous steps to ensure that field staff strictly adhere to these regulations. In 1993, only one case of retroactive appointment occurred. It was approved on an exceptional basis, as reported to the Board of Auditors on 23 July 1993.	No other cases of retroactively approved consultancy contracts have occurred since July 1993.
Procurement services on behalf of other United Nations agencies should be provided on a sound legal basis (rec. 6 (f)).	UNFPA requested assistance from the General Legal Division in establishing the legislative authority for UNFPA to enter into such procurement arrangements. UNFPA subsequently drafted two new financial regulations (5.4 and 14.6) to address this issue, which were approved by the Governing Council in 1993.	UNFPA now undertakes such procurement services only after a formal agreement has been signed between UNFPA and the recipient national authority.

Recommendations	Follow-up action	Current status/Comments
Cost-sharing arrangements regarding premises and services in the field should be based on clear criteria (rec. 6 (g)).	UNFPA representatives were requested to identify and review cost-sharing arrangements and inform Headquarters of the criteria upon which such costs should be apportioned. These charges were reviewed by UNFPA headquarters and their equity assessed by the respective field offices.	The field offices have been provided with a tool to analyse and negotiate their cost-sharing agreements. Thus far the field offices have responded positively and a greater transparency of these agreements has been achieved.
The procurement and use of official vehicles in field offices need to be reviewed (rec. 6 (h)).	UNFPA has drafted vehicle policy guidelines designed to address inconsistencies and deficiencies with respect to UNFPA field office vehicles, especially in countries without a resident Country Director. The guidelines are also designed to complement those provisions in UNDP's General Administration Manual which apply to UNFPA.	It is estimated that a final version of the guidelines will be issued by mid-year.
Multi-bilateral (trust fund) activities should be more closely monitored to avoid negative balances (rec. 6 (i)). Multi-bilateral (trust fund) agreements should provide a safeguard against unforeseen financial liabilities of UNFPA (rec. 6 (j)).	UNFPA has increased its efforts to ensure that project funds are spent only when such funds are available and that authorizations for expenditures are in accordance with the agreements entered into by the Fund and the multi-bilateral donor. To this end, the Fund is monitoring trust fund accounts based on the information provided by the UNDP Treasury Section. Donors are being informed of outstanding funds in a timely manner.	UNFPA has also amended multi-bilateral agreements to include a procedure for resolution of problems involving financial liabilities.
The UNFPA Policies and Procedures Manual (PPM) should be updated without further delay.	Several sections of the Policies and Procedures Manual were drafted in 1993 and reviewed by an internal working group. After approval of the final version by the Policy and Planning Committee, these chapters will be integrated into the PPM.	In addition, the Administration and Procurement Manual is currently being finalized.

H. United Nations Habitat and Human Settlements Foundation

148. The measures taken by the United Nations Habitat and Human Settlements Foundation (UNCHS) to implement the recommendations of the Board of Auditors in its report for 1990-1991 9/ are set out in the table below.

Summary of recommendations	Schedule of implementation
Expenditures on contractual services should be kept within appropriations through effective monitoring (rec. 7 (a)).	Strict controls have been implemented by controlling expenditures on a day-to-day basis.
Stringent procedures should be introduced to ensure adequate control of non-expendable property (rec. 7 (b)).	A physical inventory was conducted at headquarters recently and information is now being scrutinized. The centre will endeavour to have all field offices comply with the physical inventory procedures.
Competition for publications contracts should be encouraged among the identified local printers (rec. 7 (c)).	All contracts for printing are now let after competitive bidding. In order to avoid repetitive bidding, UNCHS is now envisaging the letting of the printing requirements under a systems contract which will be awarded after competitive bidding and have prices fixed for a one year period.
The systematic use of a centralized roster of consultants by all units of the organization should be enforced to ensure a uniform approach in the hiring of consultants (rec. 7 (d)).	The recommendation has already been implemented and is being strictly adhered to.
Project implementation should be further improved through adequate record-keeping and the timely closure of completed projects (rec. 7 (e)).	The UNCHS Finance Section in close cooperation with the programme management officers are already endeavouring to close the accounts within six months of the project closure.
Regular reviews of unliquidated obligations should be done (rec. 7 (f)).	Unliquidated obligations are now being revised on a regular basis and liquidated if no longer required.

I. International Trade Centre

149. The summary of recommendations of the Board of Auditors in its report for 1990-1991 10/ and the actions taken by the International Trade Centre (ITC) to implement those recommendations are described below.

Recommendation 6 (a)

150. Vacancies in the top management of the International Trade Centre should be filled without delay.

151. This issue has been beyond the control of ITC. As a first step, the Secretary-General and the Director-General of the General Agreement on Tariffs and Trade have announced the appointment of the Executive Director. The other vacant top management positions in ITC are expected to be filled soon.

Recommendation 6 (b)

152. Internal control procedures with regard to payment of salaries and travel allowances should be reviewed in order to avoid overpayment.

153. ITC detected the overpayment of per diem to non-locally recruited professional short-term staff in March 1992. Action was taken immediately in collaboration with the Payroll Section at Geneva to prevent future overpayments, as well as to recover the overpayments made. All overpayments, except for one, have been recovered in full. The remaining overpayment has been recovered partly and ITC has received assurances that the former non-local staff member will refund the balance due.

Recommendation 6 (c)

154. Financial rule 111.6 should be reviewed in the light of generally accepted accounting principles.

155. ITC immediately revised its accounting treatment of exchange fluctuations in accordance with the Auditors' recommendations; however, it is assumed that any review of Financial Rule 111.6 will be initiated by the Accounts Division of the United Nations Secretariat.

Recommendation 6 (d)

156. The P-2 post financed by the International Trade Centre for the internal audit position should be filled without further delay.

157. This post was first filled in 1992 on a temporary basis until spring 1993, when it was filled on a regular basis: however, the incumbent resigned in September 1993. Since then, ITC has repeatedly invited the Internal Audit Division (now the Audit and Management Control Division) to consider requesting the Secretariat to undertake the recruitment and administration of the future incumbent since this P-2 post is located in the European Section of the Audit and Management Control Division. As an interim measure, ITC has proposed the temporary release of an ITC staff member.

Recommendation 6 (e)

158. The practice of issuing contracts to advisers before funding is secured should be discontinued.

159. The practice of issuing 12-month contracts based on this formula has ceased. Contracts are now issued based upon the "core" financing only and appointments are extended in line with secured financing.

Recommendation 6 (f)

160. The practice of employing project-personnel quasi-permanently on a short-term basis should be discontinued.

161. The number of this group of headquarters-based advisers, i.e., those advisers providing input to various national and regional projects on a short-term basis, has been considerably reduced and ITC continues its efforts to phase out this category of project personnel.

Recommendation 6 (g)

162. Before entering into contracts with consultants/experts, due regard should also be given to the expenses in addition to the base salary, such as travel and per diem.

163. ITC in its answer to this recommendation has indicated that competence is the overriding factor in recruitment and that if travel costs are taken into account this will become a discriminatory factor for candidates from countries that are geographically situated far away from the relevant duty stations. ITC has also checked this principle with the Legal Office in New York, which has confirmed that taking travel costs into account is discriminatory and against the spirit of the Staff Rules. ITC therefore is not following this recommendation; however, whenever recruiting, consideration is given to the travel costs inasmuch as this does not represent any discrimination and does not affect the timely implementation of the project concerned.

Recommendation 6 (h)

164. Project planning should become more realistic, with special regard to project targets and the duration of projects.

165. Technical cooperation projects, at the country and regional levels, are always programmed with counterpart institutions, and the project activities are often inputs to programmes being undertaken by the institution or other national or regional organizations. Thus, in this situation, the components may not be totally self-contained. In the case of enterprise-oriented assistance, where continuity of funding is essential to provide a variety of services, often in-depth, ITC will seek to ensure continuity of funding for the whole period of the respective project component, though this will require multi-year commitments by donor countries, which may not always be acceptable.

Recommendation 6 (i)

166. Technical cooperation projects should, whenever possible, be based on multi-year funding commitments by donors in order to improve project planning and implementation.

167. ITC agrees with this observation. The concept of a global trust fund has been under consideration by the Joint Advisory Group since 1991, but a decision on the matter has been postponed in the absence of an Executive Director. It is hoped that this matter will be resolved in the near future; however, certain donor countries are not authorized to make formal multi-year voluntary pledges to ITC, as is also the case for UNDP where financial pledges are made annually.

Recommendation 6 (i)

168. Cooperation with other United Nations agencies should be intensified with regard to complementing project activities.

169. The introduction of the "programme approach" by UNDP for the planning and implementation of technical cooperation programmes and projects has brought a closer relationship at the operational level. This has been facilitated by the adoption by UNDP of thematic priorities, such as poverty alleviation, employment generation, economic reform, etc., in its programmes at the country and regional levels which have brought together several agencies with complementary roles. ITC will continue to give particular attention to this recommendation.

Recommendation 6 (k)

170. Enterprise-approach assistance should be based on written agreements specifying mutual tasks and contributions.

171. An ITC internal Working Group has examined in detail the enterprise approach based on the experience gained in applying the detailed guidelines issued in 1987. The report, submitted to the management on 31 March 1994, deals, among other things, with all the points raised in paragraphs 90 and 91 of the Auditors' report covering the biennium 1990-1991 and in particular the enterprise selection process and the commitments of the enterprises. A formal decision on these recommendations will be taken by the new Executive Director when he assumes office in mid-June 1994.

Recommendation 6 (l)

172. The Centre should not conclude agreements with donors that are likely to limit its independence for recruiting.

173. ITC has informed the Board that it did not consider the inclusion of the clause "Due consideration will be given to the availability of [country name] expert consultants" as binding. While such a clause is contained in two agreements only, ITC did not conclude any new agreement of this kind during the 1992-1993 biennium. The Centre will continue to try to avoid such arrangements in future.

J. United Nations University

174. The measures taken by the United Nations University (UNU) to implement the recommendations of the Board of Auditors in its report for 1990-1991 11/ are described below.

Recommendations 7 (a) and (d) - Investment management

175. It should be borne in mind that the responsibility for the investments of the United Nations University Endowment Fund rests with the Investment Management Service (IMS) at the United Nations Secretariat. Accordingly, IMS is responsible for abiding with specific investment restrictions imposed by certain donors. The responsibility of UNU is limited to receiving new contributions to the Endowment Fund and remitting such contributions to IMS. Apart from the contribution referred to in paragraphs 29 to 32 in the Auditor's report, the investment of which was delayed owing to the need for clarifying the nature of this contribution with the donor concerned, UNU continues to remit all contributions to IMS without delay.

176. The income derived from the investment of the Endowment Fund is allocated for the financing of the entities of the University in accordance with the ratio of contributions to the Endowment Fund from the respective donors.

Recommendation 7 (b) - Inventory management

177. As noted in paragraph 44 of the report of the Board of Auditors, UNU conducted a thorough inventory count before moving to its new headquarters building in July 1992. The Government of Japan has provided many additional items of furniture and equipment to enable the University to utilize the new building. All items have been properly arranged and recorded. Furthermore, an overall inventory system for the University as a whole, including its institutes, is in place.

Recommendation 7 (c) - Finance personnel

178. The existing staff have gained more experience and are accordingly performing more efficiently and competently, and this has alleviated the short-term need for additional staff.

Recommendation 7 (e) - Budget

179. UNU has further improved its budget preparation and implementation to the effect that during the 1992-1993 biennium there was no need to have any supplementary budget, and the savings and additional income obtained during that biennium were carried forward as unencumbered fund balance to the 1994-1995 biennium.

Notes

1/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5A (A/47/5/Add.1), sect. II.

2/ Ibid., Supplement No. 5B (A/47/5/Add.2), sect. II.

3/ Recommendation of the Board of Auditors in its report for the period ended 31 December 1989. See Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5B (A/47/5/Add.2), sect. II, annex I.

4/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5C (A/47/5/Add.3), sect. II.

5/ Ibid., Forty-eighth Session, Supplement No. 5D (A/48/5/Add.4), sect. II.

6/ Ibid., Supplement No. 5E (A/48/5/Add.5), sect. II.

7/ Ibid., Forty-seventh Session, Supplement No. 5F (A/47/5/Add.6), sect. II.

8/ Ibid., Supplement No. 5G (A/47/5/Add.7), sect. II.

9/ Ibid., Supplement No. 5H (A/47/5/Add.8), sect. II.

10/ Ibid., Supplement No. 5 (A/47/5), vol. II, sect. II.

11/ Ibid., vol. III, sect. II.

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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

Addendum

Corrigendum

1. Page 23, paragraph 87, first line

   For paragraph 9 read paragraph 84

2. Page 38, Notes, footnote 3, second line

   For 31 December 1989 read 31 December 1991

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